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FISCAL IMPACT STATEMENT

LS 7601

BILL NUMBER: HB 1575

NOTE PREPARED: Jan 23, 2009

BILL AMENDED:

SUBJECT: Elimination of Duplicate Property Tax Levies.

FIRST AUTHOR: Rep. Pelath

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X GENERAL
DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: The bill prohibits two or more taxing units from imposing property tax levies in a taxing district for the same type of service. The bill extends the period during which taxing units may publish notices, hold hearings, and adopt tax levies, tax rates, and budgets.

Effective Date: Upon passage.

Explanation of State Expenditures: The Department of Local Government Finance (DLGF) would be able to review and approve local levies, tax rates, and budgets of local taxing units and districts in order to eliminate multiple property tax levies for duplicate services.

Explanation of State Revenues:

Explanation of Local Expenditures: *Summary-* If this bill results in more efficient service delivery, cost savings will result. The amount of savings would depend on local action.

Details- With certain exceptions, not more than one taxing unit would be allowed to impose a property tax on property in a taxing district to provide or finance the same service in that taxing district. The bill would require taxing units with identical services to take one or more of the following actions:

- (1) Enter into agreements to combine the services.
- (2) Transfer assets, personnel, and operations to another taxing unit.
- (3) Exclude a taxing district from one taxing unit's service area if another unit agrees to provide the service.

- (4) Terminate the duplicate service.
- (5) Take any other lawful action.

Plan Approval Process- Local units would be required to submit a plan to resolve property tax levies for the same services to the county board of tax adjustment (CBOTA) or the county fiscal body (if the county does not have a CBOTA). The body reviewing the plan would be known as the reviewing body. The review process would be the following:

- (1) Publishing notice of a public hearing to discuss the plan,
- (2) Holding a hearing on the plan, and
- (3) Approving the plan.

Hearings could be conducted in each civil taxing unit or combined into one hearing. The reviewing body would produce a final order by either of the following:

- (1) Approving the plan,
- (2) Approving with revisions, or
- (3) Denying and substituting a revised plan.

County auditors, the DLGF, and each city or county fiscal body reviewing the levies, rates, and budgets would receive copies of the final order. A final order would be binding beginning with taxes payable in 2010. The bill would provide a 60-day extension of all other statutory deadlines involved with the adoption of levies, rates, and budget by local taxing units. Adoptions of levies, rates, and budget must implement the approved plan. (DLGF would still have to approve budgets within their current time frame.)

Petition Process- A fiscal officer of a taxing unit would be able to petition the reviewing body to change the plan. A petition to revise must be filed before July 1 of a year. The revision process would work in a similar manner as the approval process. However, the fiscal body of the taxing unit offering the petition would have to approve the petition before a reviewing body were to consider the petition.

If a petition reaches the reviewing body, then the reviewing body would review the proposed change to the plan. The reviewing body could call for hearings to discuss the petition. Once a decision is reached by the reviewing body, the new plan would be implemented as above. The procedures for fixing and reviewing budgets would have to follow the final order. A property tax would be void if it is not in compliance with the final order.

Bonds and Leases- A plan could not be put into place if it would impair contractual rights of the holders of bonds or leases that were obligated before May 1, 2009. Therefore, a part of a levy that is contractually obligated to a bond or lease would not have to comply with the provisions of the plan. Any reduction in TIF revenues that would impair contract rights would be remedied under current TIF replacement law.

Transfers- A final order could allow transfers of a part of the maximum levy or maximum tax rate between taxing units to implement the order. The final order would have to insure continued delivery of the services transferred. However, a transfer could not change the calculation of circuit breaker credits as provided under current law.

Law Enforcement Expenditures- A reviewing body would be able to consider maintenance and operation of jail/juvenile detention facilities as a separate service from police/law enforcement services so that one taxing unit may provide jail and detention services while another taxing unit provides other law enforcement services.

Explanation of Local Revenues: *Summary-* If this bill results in more efficient service delivery, cost savings will result, allowing taxing units to reduce property tax levies or expand services.

Other Revenue Sources- A final order could allow for different distributions of several state and local taxes than calculated under current law. County auditors would distribute the tax revenue amounts under a new formula as specified in the final order. The following table depicts the affected taxes. Local income taxes that are designated to be used for homestead credits or property tax replacement credits must be used for that purpose.

| Tax | Distribution | Revenue* |
|---------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|
| Financial Institutions Tax | Local taxing units. | \$44,037,201 |
| Motor Vehicle Excise Tax | Taxing districts at same time and manner as property taxes. | \$657,981,509 |
| Commercial Vehicle Excise Tax | Local taxing units and school corporations. | \$62,569,897 |
| Boat Excise Tax | Counties. | \$8,709,525 |
| Aircraft Excise Tax | County where airplane is located when not operated. | \$617,901 |
| County Adjusted Gross Income Tax (CAGIT) | Civil taxing units as certified shares, or for local PTRC. | \$412,351,864 (CY 2008) |
| County Option Income Tax (COIT) | County auditor may distribute as shares to civil taxing units, property tax replacement, public communication, public transportation, or economic development; and Marion County redevelopment initiatives. | \$562,863,506 (CY 2008) |
| County Economic Development Income Tax (CEDIT) | County auditor allocates to counties, cities, and towns that have capital improvement plans. | \$260,045,283 (CY 2008) |
| *Local share unless otherwise indicated. (State taxes are FY 2008 and local taxes CY 2007). | | |

State Agencies Affected: DLGF.

Local Agencies Affected: County fiscal body; Municipal fiscal body; CBOTA.

Information Sources: *Indiana Handbook of Taxes, Revenues, and Appropriations*, LSA.

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